



Everest Alternative Investment Trust

January 2010 Factsheet

The Everest Alternative Investment Trust (EAIT) has exposure to a portfolio of absolute return funds. The objective of the Investment Portfolio is to generate attractive risk-adjusted absolute returns over the medium-to-long term.

Fund Facts as at 31 January 2010

Estimated monthly return ¹	0.95%
NTA as at 31 January 2010 ^{1,2}	\$2.20

Investment manager summary

Investment managers posting positive returns	32
Investment managers posting negative returns	3
Largest manager allocation	17.2%
Smallest manager allocation	0.1%

Fund NTA returns (net)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2010¹	0.95%												0.95%
2009¹	-2.97% ³	0.00%	-0.44%	0.44%	1.75%	1.97% ⁴	0.23%	1.60%	1.02%	0.04%	0.75%	1.72%	6.16%
2008	-4.18%	0.77%	-2.29%	1.04%	1.80%	-2.15%	-1.58%	-2.14%	-9.84%	-15.15%	-8.57%	-7.81%	-41.02%
2007	2.60%	-0.13%	2.33%	2.51%	-4.89% ⁵	0.65%	0.00%	-3.44%	1.27%	3.27%	-1.70%	0.74%	2.90%
2006	4.15%	-0.21%	2.63%	2.01%	-3.94%	0.32%	-2.40%	1.72%	1.69%	2.85%	3.70%	2.67%	15.92%
2005	-	-	-	-3.60%	1.00%	2.71%	4.80%	0.23%	3.20%	-3.76%	2.76%	2.46%	9.83%

- 1 Unaudited – In calculating the NTA, EAIT asset values have been calculated using unaudited absolute return fund performance estimates for the month being reported.
- 2 For the purposes of calculating the above figures, the Australian Equivalents to International Financial Reporting Standards (AEIFRS) have been applied (other than for classification of net assets attributable to unitholders of EAIT where Australian Generally Accepted Accounting Principles (AGAAP), as applied before the introduction of AEIFRS, have been used).
- 3 On 29 January 2009, the EBI portfolio was split proportionately between EAIT and EBI; accordingly historical performance figures before that date are for EBI.
- 4 Following the announcement of our intention to separate EAIT into two funds, performance data from 1 June 2009 onwards represents the underlying absolute return funds only. Prior to 1 June 2009 the performance data reflects both the absolute return funds and direct investments.
- 5 The May 2007 monthly NTA performance was impacted by the EBI rights issue and placement which were completed that month and does not include the implied value of EBB shares received by investors who successfully participated in the EBI capital raising. The May 2007 performance of the underlying investment portfolio (excluding the effect of the capital raising) was +2.40%.

Market Commentary

During January, disappointing economic data and broad concerns about the global economy, including news that China would limit bank lending, led to the S&P 500 falling 3.6% and the ASX 200 recording a 6.2% loss for the month. At the same time credit markets continued the momentum of 2009, with the Merrill Lynch High Yield index returning +1.5% for the month.

Recent market optimism has to a large extent been driven by news which is 'less bad' rather than actually good. During January, there was some reawakening of rationality and the 'hope, hype and heat' in many markets cooled as investors began to focus on fundamentals. As one of our investment managers put it '... more investors are realising that the relief from moving beyond the worst of the Great Recession and the systematic risk in the financial system does not mean everything is wine and roses.' We note that our equity investment managers remain unconvinced by current market valuation levels and continue to run low market exposures and high conviction portfolios.

Despite the continued strong performance of credit markets, investment managers point out that access to capital still remains essential to the growth of the corporate sector and to allow companies to meet their debt maturities. Many companies have been pushing maturities out over the last couple of years to avoid a default scenario, allow time for earnings to recover and deal with their looming maturities. Unfortunately, many of these companies will not be able to grow earnings enough to deal with their debt problem and the huge amount of debt added to company balance sheets during 2005 and 2007 will take years to unwind.



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Performance Commentary

EAIT's performance for the month was +0.95%.

The underlying investment portfolio contributed approximately 0.50% to the overall result with the remaining 0.45% a result of the discount to NTA that was applied to units in the 31 December 2009 Withdrawal Offer.

The portfolio's positive performance was largely attributable to the contributions of two investment managers, ESL Limited (ESL) and Marathon Special Opportunities Fund (Marathon).

We've spoken about ESL a number of times in recent months. It has a concentrated US equities strategy with large positions in the US automotive and retail sectors and has generated strong performance in recent months. January was another positive month, up 4.3%, contributing approximately 0.34% to EAIT's performance. Once again its core holding in Sears (the US retail chain) was the key driver, after the company surprised the market with much stronger than expected December sales and an above consensus fourth quarter outlook (Sears has a January year-end). The stock was up nearly 12% for the month.

Marathon, a credit manager and strong performer in 2009, continues to benefit from the current credit and distressed market environment. Whilst there is general recognition in credit markets that the "easy" money of 2009 is no longer on offer, credit focussed managers and particularly those in the distressed space continue to benefit from the large number of interesting risk/reward opportunities. Overall, performance was up 3.4% for the month, contributing around 0.17% to EAIT's performance. Positions in distressed companies were the main contributor, spread across a number of sectors including financials (Washington Mutual, Lloyds, AIG, Lehmans), automotive (GM, Delphi), chemicals, media and telecoms.

In the context of sharp sell-offs on global equity markets during January, EAIT's performance represents a good start to 2010. That sharp sell-off however, serves as a timely reminder that markets remain vulnerable to any signs of weakness in the global economy, and that sentiment can shift quickly. In this environment, a continued focus on fundamental factors and traditional bottom up value analysis, should benefit the Fund's core investment managers rewarding those whose strategies rely less on general market movements and more on stock and credit specific factors. We remain cautious but optimistic on the year ahead.

Fund Commentary

Now that the Fund has reduced its net leverage to zero, we have been working with the Swap Provider to amend the swap guidelines to allow the reallocation of capital. As we discussed in our recent report the "2010 Outlook", we believe that more compelling investment opportunities in the current climate lie within distressed credit markets and emerging markets. In due course we hope to make additional investments in the fund to target these opportunities.

31 December 2009 Withdrawal Offer

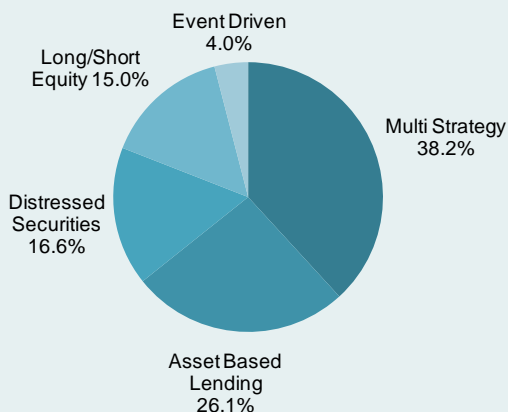
Following the finalisation of the 31 December 2009 Withdrawal Offer, participating Unitholders will receive statements confirming their payment details over the next week.



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Exposure Summary

By Strategy



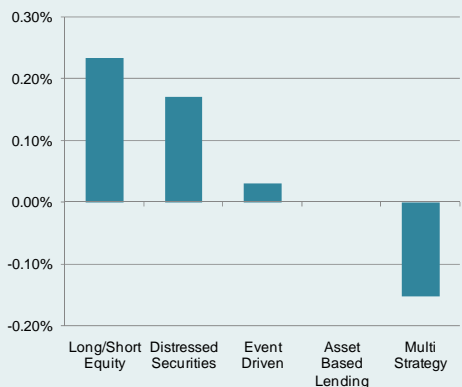
Based on the gross value of the Investment Portfolio. Exposure numbers may not total exactly due to rounding. Does not include impact of FX, interest rate or equity hedges. The investment strategy exposures are shown net of cash. Investment strategy and exposure data as at the first business day of the following month.

By Investment Manager (top eight managers)

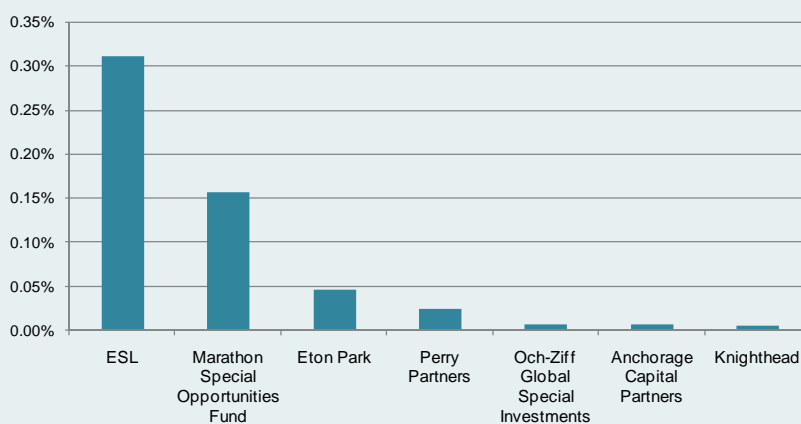
Fund	Strategy	Weight
Drawbridge Special Opportunities Fund	Asset Based Lending	17.2%
TPG Axon	Multi Strategy	9.0%
ESL Investments	Long Biased Equity	7.2%
Marathon Special Opportunities Fund	Distressed Securities	6.2%
Eton Park	Multi Strategy	3.9%
TCI	Long/Short Equity	2.7%
GSO	Multi Strategy	2.0%
Och Ziff Overseas Fund	Multi Strategy	1.8%
Total		50.0%

Performance Contribution

By Strategy



By Investment Manager (top seven contributors)



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